

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

**In the Matter of the Commission’s)
Review of Time-Differentiated and)
Dynamic Pricing Options for Retail)
Electric Services.)**

Case No. 12-150-EL-COI

COMMENTS OF FIRSTENERGY SOLUTIONS CORP.

Pursuant to the Public Utilities Commission of Ohio’s (the “PUCO” or “Commission”) Entry dated January 11, 2012 (the “Entry”), FirstEnergy Solutions Corp. (“FES”) appreciates the opportunity to comment on time-differentiated and dynamic pricing options for retail electric services. The Commission has requested written comments from interested parties to address a number of questions raised in the Entry. The Commission is interested in comments about whether electric distribution utilities (“EDUs”) or competitive retail electric service (“CRES”) providers should offer time-differentiated or dynamic rates to consumers with advanced meters, and how information on such programs is best provided to consumers. In order to furnish interested parties additional information and to better explain and define the questions in the Entry the Commission held a technical conference on March 28, 2012, which FES participated in. The Commission anticipates holding future workshops involving the various stakeholders to encourage further dialogue about time-differentiated and dynamic pricing options.

I. SUMMARY

FES supports the Commission’s effort to ensure that state policy goals under Section 4928.02 of the Revised Code are being met with regard to time-differentiated pricing and competitive electricity markets. With the exception of limited pilot programs among Ohio’s EDUs, it is FES’ position that the competitive retail marketplace affords the most efficient

mechanism to develop time-differentiated and dynamic pricing options for Ohio’s retail electric consumers. Currently, the market demand for these options is limited. While advanced metering infrastructure (“AMI”) enables dynamic pricing, many of the technologies that enable consumers to better control their demand so they can take full advantage of such pricing are in their infancy. As these technologies mature and they become more widely available, CRES providers will have the incentive to develop new time-differentiated and dynamically priced products. Tools to provide consumers information on the potential benefits of time-differentiated and dynamic pricing are similarly best left to the market. Both the CRES providers and the developers of new enabling technology have the incentive to demonstrate the benefits of these products to consumers.

II. GENERAL COMMENTS

In the Entry, the Commission cites the policy goals delineated in Section 4928.02 of the Revised Code as the driving force behind this proceeding.¹ FES agrees that this is the proper place to start with any examination of time-differentiated and dynamic pricing. It is Ohio policy to “[e]ncourage innovation and market access for cost-effective supply- and demand-side retail electric service including ... time-differentiated pricing, and implementation of advanced metering infrastructure.”² It is also Ohio policy to “[e]nsure the availability of unbundled and comparable retail electric service that provides consumers with supplier, price, terms, conditions, and quality options they elect to meet their respective needs” and to “Recognize the continuing emergence of competitive electricity markets...”³ These policies are all complimentary. By ensuring a diversity of electricity suppliers and encouraging the continued emergence of

¹ Entry at ¶ 1

² R.C. 4928.02 (D)

³ R.C. 4928.02 (C) & (G)

competitive electricity markets, the Commission will encourage innovation and market access for time-differentiated and dynamic pricing.

The Commission asks if EDUs or CRES providers should offer dynamic pricing options to all consumers with interval meters, including real-time rates linked to wholesale markets, pre-paid, indexed, or other forms of variable rates.⁴ Any dynamic pricing options should be driven by the competitive market. EDUs are not well positioned to offer these options to their customers beyond the limited pilot programs already ongoing in the state.⁵ Through Ohio's ongoing process of transitioning to greater electric competition, all of Ohio's EDUs will likely be meeting their standard service offer obligations through competitive bid processes in the near future, as some already are. While a competitive bid process works well to procure fixed wholesale supplies so that EDUs can meet their provider of last resort obligations, adding dynamically priced products to this mix presents a reconciliation problem between the fixed wholesale product and any dynamically priced portion of the retail standard service offer load. The standard service offers should remain a fixed full service supply product for other reasons. For example, an EDU's SSO provides consumers a reasonable and easily understood basis for comparison when selecting a CRES provider, including those offering dynamically priced products.

Unlike EDUs, CRES providers are well situated to provide dynamically priced products to consumers if there is a demand for such products in the market. Many CRES providers already provide dynamically priced products to their larger customers and will not need to reinvent the wheel to develop similar products to serve their smaller customers. CRES providers

⁴ Entry at ¶ 2

⁵ See Ohio Edison's Experimental Real-Time Pricing at Tariff Sheet 111, RIDER RTP), and Ohio Edison's Experimental Critical Peak Pricing at Tariff Sheet 113, RIDER CPP; information on Duke's programs are here <http://www.duke-energy.com/about-us/smart-grid.asp?promo=Smart-Grid&f=sm> ; AEP Ohio's gridSMART demonstration project includes 3 rate options "SMART Shift", "SMART Shift Plus" and "SMART Cooling."

can offer flexible term lengths, are accustomed to managing a range of different supply obligations across their portfolios, and are poised to respond when customers begin demanding more dynamic products.

The Commission asks specifically about pre-paid products, which provides a good example of how CRES providers can and do respond to the demands of a particular market. For example when AMI was installed in Texas termination of service without physical access to the meter was enabled giving competitive suppliers an opportunity to provide a new supply option to customers based on the technology.⁶ Consumers interested in avoiding the need to pay a deposit to establish service may find prepay an attractive option, and it is now an option in Texas. While FES takes no position on whether prepay is a good fit in Ohio, this example highlights how competitive suppliers are able to quickly use new technology to better meet the needs of consumers.

FES supports the Commission's continuing efforts to better understand dynamic pricing. While there are many things the Commission can and does do to encourage a healthy range of choices for consumers, it would be unlawful and misguided to require CRES providers to offer particular programs. The Commission already facilitates and encourages broader ranges of choices through its pilot smart grid/dynamic pricing programs. These programs are developing useful information on the capabilities of AMI, how dynamic pricing can work, and what types of dynamic pricing consumers are interested in. Further expanding AMI would be premature given the pilot programs have not yet been completed. If the pilot programs demonstrate that consumers with AMI are interested in particular dynamic pricing products then it will be unnecessary for the Commission to take further affirmative action to encourage CRES providers to offer them. If instead the pilots demonstrate that consumers are not interested, or are not yet

⁶ See generally, Tex. Admin. Code tit. 16 §25.498;

able to fully take advantage of dynamic pricing, then this may reflect the nascence of the enabling technology.⁷ The best way to ensure that consumers have dynamic pricing options that suit their needs is to wait for more information to come out of the pilot programs, and to learn more about what the current technological capabilities are through the Commission's ongoing working group sessions.

The Commission asks whether or not EDUs or CRES providers should propose plans for educating eligible consumers regarding the benefits of dynamic pricing. CRES providers have an incentive to educate consumers about the benefits of dynamic pricing *to the extent* they offer such pricing. FES takes no position on whether EDUs should propose education plans, but if any EDU does choose to propose an education plan it should consist of a more general description of dynamic pricing given that EDUs should not offer dynamically priced products outside of limited pilot programs.

The Commission also asks about whether EDUs or CRES providers should offer consumer education regarding the risks of dynamic pricing. The Commission's CRES Marketing and Solicitation rules already address this. 4901:1-21-05 requires CRES providers to give consumers "sufficient information for [them] to make intelligent cost comparisons against offers they receive from other CRES providers." For variable pricing they are also required to include "[a] clear and understandable explanation of the factors that will cause the price to vary..." Furthermore, CRES providers are generally foreclosed from engaging in misleading or unfair marketing practices. All of these restrictions clearly put the onus of accurately educating consumers about the details of dynamic products on CRES providers; at least to the extent they

⁷ See Andrew Martin, *Not Quite Smart Enough*, The New York Times, January 23, 2012 (available at: <http://www.nytimes.com/2012/01/24/technology/not-quite-smart-enough.html?pagewanted=all>).

offer such products. Accurately educated consumers will be empowered to make their own decisions regarding the risks of a particular dynamically priced product.

III. THE COMMISSION'S QUESTIONS

6(a). Should EDUs offer consumers with advanced or interval meters time-differentiated or dynamic retail rates to ensure that such options are available to such consumers? Should such choices include dynamic pricing options that reflect PJM interconnection, LLC (“PJM”) market prices?

As stated above, FES believes that EDUs should not be required to offer dynamic pricing since it risks restraining the development of a competitive market for dynamically priced products.

6(b). Should EDUs offer consumers with advanced or interval meters two-part dynamic pricing, such that the offer provides a dynamic price signal and a hedging or insurance component that addresses consumer risk aversion?

As stated above, FES believes that EDUs should not be required to offer dynamic pricing since it risks restraining the development of a competitive market for dynamically priced products. Furthermore, fixed rate default service options provide consumers a better hedge against uncertainty and risk than the hybrid described.

6(c). Are there specific forms of dynamic or time- differentiated pricing which should be offered to different groups or classes of consumers who have the requisite metering?

No. The capabilities of enabling technologies like smart appliances, and new software products are likely to drive the specific forms of dynamic pricing that will be most beneficial to consumers. As these become more and more available consumers will seek out pricing to take advantage of these capabilities, and CRES providers will develop the dynamically priced products to do so.

6(d). Should the Commission support well designed field tests by EDUs and/or CRES providers of additional time-differentiated or dynamic pricing options and various approaches to and combinations of consumer education, targeted messaging, information feedback, and/or enabling technology to better assess what options may work best for consumers and have the greatest beneficial impacts?

FES has no objection to well designed, Commission supported field tests to provide additional information on consumer education, marketing, information feedback, and enabling technology to the extent these field tests are limited in size, and the information produced will be shared publicly. FES does note that any CRES provider involvement in such field tests should be only on a voluntary basis. One additional caution is that while additional information may help CRES providers offer better dynamic products, an overly large program could end up serving many of the available interested consumers, and thereby chill or harm the competitive market for dynamic products.

6(e). What barriers, if any, are there to CRES providers offering dynamic pricing to consumers with advanced or interval meters? What steps, if any, should the Commission consider to encourage or to remove barriers to CRES providers offering packages that include dynamic pricing?

FES is not aware of any barriers to CRES providers offering dynamic pricing other than a lack of demand for such products among consumers this is at least in part driven by a lack of technology that will allow consumers to fully take advantage of them. As enabling technology becomes more widely available, and more information is produced by pilot programs in Ohio and elsewhere on what types of dynamic pricing programs work CRES providers will be encouraged to provide dynamic price offerings.

6(f). Should EDUs and/or CRES providers develop and implement a plan to better inform eligible consumers regarding time-differentiated and dynamic pricing options? If so, what should such plans include?

EDUs should not be required to develop consumer education programs relating to dynamic pricing. FES suggests that CRES providers that develop and offer dynamically priced products be relied upon for educating consumers about these offerings. What is included in the education materials will be driven by CRES disclosure requirements, consumer expectations, and the particularities of a given dynamic product.

7. Is there a standardized approach for providing customers bill comparisons that can demonstrate the possible benefits of adopting dynamic price offerings?

FES is not aware of any standardized approach to bill comparisons that can demonstrate the possible benefits of adopting dynamic price offerings. In order to provide consumers useful comparative information, many assumptions about their individual usage habits and about movements in wholesale power markets will need to be made. Given the complexity and the risk of harm involved in making these assumptions, a standardized bill comparison approach is not likely to be the best method to demonstrate to consumers the potential benefits of dynamic pricing.

8. Should the Commission develop an on-line bill comparison application? Are there alternative approaches?

The Commission should not develop an on-line bill comparison application. The potential variation of product types and the number of assumptions needed to make such a tool useful to consumers and CRES providers make this an exceedingly challenging project. If the proper assumptions are not built into the tool, or consumers do not understand that its comparison is only an estimate based on projected behavioral changes, then the tool could do more harm than good. The better approach is to let the CRES providers with dynamic price offerings develop the means to help consumers understand the benefits of their specific offerings. CRES providers will craft appropriate tools to fit their particular products, and are foreclosed by rule from misleading consumers.

8(a). Is the development of such an on-line application reasonable and practicable?

It will be a challenge for the Commission to develop an adequate on-line bill comparison tool, and is likely not a practical endeavor. FES appreciates the convenience that single on-line

tool would provide, but it is probably not the best way for consumers to gauge which dynamic price offering is best for them.

8(b). Are comparable applications already commercially available? If so, what steps, if any, should the Commission consider to facilitate appropriate customer access to such applications?

FES is aware of some applications that could help customers analyze one particular dynamic rate against what their bill without such a rate would have been. FES has no information on whether these applications have the functionality to accommodate multiple products from different competitive suppliers, or whether the assumptions that go into these applications will produce information that consumers can count on to make informed choices about dynamic pricing.

8(c). What elements would help make such an application useful to customers?

A bill comparison application will be useful to consumers to the extent it includes: the ability to plug in and compare the many types of dynamic offers that may be available; very clear warnings regarding the variability of forward looking market estimates; and very clear and straight forward information about how a customer's usage estimates are derived and what behavioral changes are assumed in making such estimates.

6(d) Are there alternative approaches which the Commission should consider that could provide customers comparable or superior capabilities for comparing different forms of pricing and different competitive retail service offerings?

FES is unaware of any alternative approaches.

IV. CONCLUSION

FES appreciates the opportunity to comment on time differentiated and dynamic pricing for retail electric services. The Commission will best meet the state policy obligations to encourage market innovation in the area of dynamic pricing by encouraging and supporting a robust competitive electricity market. FES looks forward to participating in any future stakeholder workshops the Commission holds to encourage further dialogue about time-differentiated and dynamic pricing options.

Respectfully Submitted,

/s/

Mark A. Hayden (0081077)
FIRSTENERGY SERVICE COMPANY
76 South Main Street
Akron, OH 44308
(330) 761-7735
(330) 384-3875 (fax)
haydenm@firstenergycorp.com

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

4/11/2012 5:12:51 PM

in

Case No(s). 12-0150-EL-COI

Summary: Comments Comments of FirstEnergy Solutions Corp. electronically filed by Mr. Jacob A McDermott on behalf of FirstEnergy Solutions Corp.